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C O N F I D E N T I A L SECTION 01 OF 03 HONG KONG 000255

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DEPT FOR G/TIP AND EAP/CM
NSC FOR DENNIS WILDER

E.O. 12958: DECL: 02/11/2028
TAGS: [KCRM](#) [SMIG](#) [SOCI](#) [PGOV](#) [PHUM](#) [CACS](#) [CH](#) [MC](#) [MG](#) [HK](#)
SUBJECT: TIP, MONEY LAUNDERING, PROTECTING AMCITS: CG
CUNNINGHAM SPEAKS TO MACAU CHIEF EXECUTIVE HO

REF: 07 HONG KONG 2775

Classified By: Consul General James B. Cunningham, for reasons 1.4 (b)
and (d)

11. (C) SUMMARY: In a productive and friendly meeting January 29 with Macau's chief executive, Edmund Ho, Consul General Cunningham received positive initial reactions to our plans to expand contacts with the growing American community there and to strengthen liaison with the Macau government to ensure that we could better protect Americans in case of large-scale accidents or emergencies. Ho was warmly welcoming of the U.S. presence there, and strongly supported improved emergency coordination between the U.S. Consulate in Hong Kong and his government. Ho noted voices from "a minority" of Macau citizens, who complained about the effect that the large U.S. investors were having on Macau's small society and economy, but remarked that officials in Macau and Beijing understood the overwhelmingly positive effects the foreign investments were having in Macau -- but they needed to remain responsive to other viewpoints, as well. The CG pushed strongly for Macau to complete its new legislation against trafficking in persons. Ho affirmed that the anti-TIP legislation was near completion; a week later we received word that the legislation had just cleared the vetting process in the Executive Council (i.e., the cabinet) and would be presented to the Legislative Assembly for approval by mid-February. In response to the CG's urging, Ho also stated his government would continue to tighten controls on money-laundering; he claimed that the Banco Delta Asia (BDA) was dying "a slow death," and its owner was trying to find a way to sell it. END SUMMARY.

12. (C) COMMENT: Government decision-making in Macau flows straight from Chief Executive Ho, who has been very responsive, even visionary, in his ability to push his government to improve its capacity to deal with issues of serious concern to the United States, in particular, TIP, money laundering, North Korean exploitation of Macau financial institutions and protection for the burgeoning American business community. He made perfectly clear that, despite grumblings and sometimes quite pointed anti-American rants in the press, his government and -- more importantly -- Beijing itself understood and supported the expanding U.S. business interests there. These sentiments were echoed in a similarly positive meeting the CG had the same day with the PRC's MFA Commissioner to Macau (septel). END COMMENT.

13. (C) Consul General Cunningham opened the discussion with the chief executive (who was unaccompanied) by noting that he was in Macau to touch base with the American business community, the Macau government and the PRC Ministry of Foreign Affairs commissioner. The Consulate wants to help ensure the U.S. community is perceived positively by Macau

society. The CG stated he also wants to build up our Consulate General's ability to coordinate with Macau authorities and the American community in the event of an emergency affecting American citizens. The ferry accident on January 11 (note: in which 19 passengers were seriously injured) was an example of the kind of incident for which the U.S. and Macau governments needed to prepare, the CG remarked.

14. (C) Chief Executive Edmund Ho said Macau welcomed the U.S. investors and that Macau's development, spurred by inflows of foreign money and expertise, was going well. Macau was experiencing a few negative effects, such as increased inflation, widening income gaps, and the sense among "a minority" of its community that some Macau citizens and businesses were "not benefitting as much as they should" from the rapid economic growth. He noted that while most Macau citizens see the American presence as a positive thing, and the average workers "don't care where the money comes from, they just want the jobs that come with it," others, particularly local businesses, were complaining that it was difficult for smaller local companies to participate in the business boom. Many Macau businesses are not accustomed to dealing with the large-scale operations of the international companies and so had a hard time selling their products and services. The large foreign investors feel more comfortable sourcing goods and services from similar large operations from Hong Kong. "I have been pushing the Macau business people to step up to the challenge," said Ho.

15. (C) Ho also remarked on the occasional explicit anti-Americanism that appears in public commentary in Macau. "The American presence is having a lot of political effects," he claimed. "Some people are saying the U.S. companies help

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the U.S. government interfere in local politics, or that the U.S. companies themselves may start interfering directly in politics, supporting legislators who might, in turn, support their interests. The Macau government must work under the Basic Law and the Central Government. We all have to walk a thin line between 'interference' and 'healthy interaction,'" he cautioned. That said, Ho clarified that, "many politicians here and in Beijing correctly understand the situation (i.e., the positive effects of the U.S. presence and Macau's open-door policy) but they have to be responsive to people with many different points of view."

16. (C) The Consul General agreed that the American business community needed to be seen as actively and positively contributing to Macau's society and he has been pressing them to find ways to do so. Participation by local businesses in the economic growth was important, as was the need to bolster U.S. businesses' images as good neighbors in Macau. Ho agreed those were good ideas, but urged -- twice -- that the U.S. business community in Macau find ways to actively assist people in the Chinese mainland, through charitable or other works. "We in Macau have the money to take care of ourselves. China is where they should work. China (i.e., Beijing) thinks that with so many of its citizens spending so much money gambling in Macau, you ought to give something back." (Note: Approximately one half of Macau's 27 million tourists in 2007 came from mainland China.)

17. (C) Pointing to the estimated doubling of the size of the American community in Macau and the expected large increases in Americans working and visiting there, the Consul General informed CE Ho that we wanted to work closely with his government to carefully protect the interests and safety of Americans. The ferry accident, though thankfully no Americans were injured, was an example of the kind of situation that might arise that would require rapid, clear communication and coordination between our governments. The CG noted that, even before the ferry accident, his officers had been assessing Macau's emergency response plans and capacity, visiting hospitals, transportation facilities and

hotels and making important contacts for future emergency liaison. CE Ho welcomed all of these actions and stated very clearly his government's willingness to work with us to set up these links and procedures before they became necessary.

18. (C) The CG told Ho that, because of the rapidly expanding American presence and business interests in Macau, we felt a strong need to increase our interaction with and presence in Macau, and were now reviewing options to do so. The CG ideally would like to be able to station an officer full-time in Macau, but that did not seem feasible in the near term. We were thus looking at alternatives, including other types of representation in addition to the existing informal warden system. CE Ho took note of this, and said his government wanted to help us take care of the American community, but that we would all have to think carefully about what form the representation would take. Ho wondered whether the Amcham would be able to help us in these duties and offered, without elaborating, to allow his staff to assist the U.S. in these efforts.

Still Need Action on Trafficking in Persons and Anti-Money Laundering

19. (C) The Consul General then raised two issues on which we're looking for continued progress: trafficking in persons (TIP) and anti-money-laundering (AML). Following up on several previous conversations between himself and the Consul General, CE Ho said that Macau's new anti-TIP legislation is in its final stages and he expects to have some news for us "soon." The CG urged CE Ho to press the legislation forward to the Legislative Assembly (LA) quickly -- by the end of February, if possible. CE Ho took the point, but judged it difficult to get it to the LA in that timeframe. He would try, however, to ensure it was at least officially reported to the Executive Council (ExCo) for vetting by the end of February. (Note: On February 1, three days after the CG's meeting with Ho, the Macau government announced several new anti-TIP measures: it has established a TIP reporting hotline and would be placing posters at border crossing points and in hospitals to raise TIP awareness, among other measures. Then, on February 6, Macau's second-ranking official called our deputy principal officer to report that, indeed, the Macau government had sped up vetting by the Executive Council of the new legislation: Exco had just approved it and the legislation would be presented to the LA for passage right after the Chinese new year, i.e., in mid-February.)

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110. (C) On anti-money laundering, the CG raised the July 2007 Asia Pacific Group mutual evaluation of Macau and urged the CE to implement the recommendations in the final report (ref A), including pursuing membership in the Egmont Group. The CG also noted that State Department INL DAS Ambassador Schweich would be coming to Macau later that week to discuss global narcotics and money laundering issues with the Macau authorities. CE Ho affirmed the Macau government's commitment to battle money laundering, pointing to the territory's legislative and bureaucratic improvements in recent years. CE Ho then raised the Banco Delta Asia case, noting that the bank "is not doing well at all." The North Korean issue was now completely "wrapped up," but the bank cannot do any other kind of business (note: they are limited to only local, Pataca transactions, and cannot even deal with Hong Kong dollars). The Macau government had helped them out with a loan, said Ho, and had given them some "management assistance," but the bank is "going down the slope to a slow death." The owner, Stanley Au, is "just looking for a buyer," claimed Ho.

111. (C) In conclusion, the Consul General remarked on the expanding cultural and educational links between the U.S. and Macau. We already have an American Corner at the University of Macau and a Fulbright program, but the U.S would like to

set up something broader and more formal. We have been in contact with several universities in Macau about establishing a joint Association for U.S.-Macau Academic Exchanges (AMUSAE). Universities wanted to participate, said the CG, but an issue about the Macau government approving their funding for it seemed to be a sticking point. CE Ho said he would talk to the Secretary of Education and try to resolve the issue.
Cunningham